



# City of Orange

## Legislation Text

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**TO:** Honorable Mayor and Members of the City Council

**FROM:** Rick Otto, City Manager

### 1. SUBJECT

Affordable Housing Disposition, Development, and Loan Agreement among the City of Orange, C&C Development Co., LLC, and Orange Housing Development Corporation. (Relates to Items 11.1, 11.2, and 11.3)

### 2. SUMMARY

Agreement with C&C Development Co., LLC and Orange Housing Development Corporation to sell approximately two acres of the City's Corporation Yard and provide financing for a 62-unit affordable housing development.

### 3. RECOMMENDED ACTION

1. Approve the Affordable Housing Disposition, Development, and Loan Agreement among the City of Orange, C&C Development Co., LLC, and Orange Housing Development Corporation and authorize the Mayor and City Clerk to execute on behalf of the City.
2. Authorize the appropriation of \$1,250,000 from Low and Moderate Income Housing Asset Fund unreserved fund balance to expenditure account number 921.9810.56571.20469, Low and Moderate Income Housing Asset Fund- OHDC/C&C Affordable Housing Loan.

### 4. FISCAL IMPACT

The total expenditure for this agreement is \$1,250,000 and will be funded in OHDC/C&C Affordable Housing Loan through Low and Moderate Income Housing Asset Fund (921).

### 5. STRATEGIC PLAN GOALS

- Goal 3: Enhance and promote quality of life in the community
- c: Support and enhance attractive, diverse living environments.

### 6. DISCUSSION AND BACKGROUND

Orange Housing Development Corporation (OHCD) and C&C Development Co. (C&C) have a long history of partnering with the City of Orange (City) to develop and manage quality affordable housing. The statewide elimination of redevelopment agencies in 2012 removed an important funding source for affordable housing, requiring creative solutions to fund these projects. This report is one of four on today's Council agenda that addresses a piece of the financing and development of the proposed project. The three associated reports address the following:

- Project Entitlements and a Density Bonus Agreement

- Commitment of Federal HOME funds
- Tax Equity and Fiscal Responsibility Tax Act (TEFRA) hearing so the project can qualify for tax-exempt bonds

OHDC and C&C (Developers) are proposing a project that would provide 61 units of supportive housing on approximately 2.81 acres of an underutilized portion of the City's Corporation Yard. The project includes 62 units; however, one will be reserved as a manager unit. Supportive Housing serves individuals who may require additional on-site, or other local services, to remain in housing. This support may include social services, mental health services, health care, counseling, and life and budget planning. The creation of supportive housing is a vital component of the City's and the region's approach to addressing the needs of individuals who struggle with housing or are experiencing homelessness.

The proposed units will be a combination of two and three-bedroom apartments with rents kept affordable for families that earn between 30% and 70% of the area median income. The proposed development budget includes:

<b>Item</b>	<b>Cost</b>
Land Acquisition	\$4,030,000
Design and Construction	23,328,109
Financing and Other Costs	873,321
<b>Total Development Cost</b>	<b>\$28,231,430</b>

The Developers are proposing a mix of financing including Federal HOME funds, State tax credits, and County homeless prevention funds. They will also be pursuing funding from the Orange County Housing Trust and the Orange County Housing Finance Trust for this project. Any additional funding received will allow the Developers to repay City loans at an accelerated pace. As such, amendments to this agreement may be considered at a future date as additional funds come into the project. The proposed permanent funding includes:

<b>Source</b>	<b>Amount</b>
Tax Exempt Loans	\$11,059,840
OC Homeless Prevention Program	479,520
Deferred Developer Fee	1,299,033
Tax Credit Equity	8,780,537
Land Loan (City)	3,000,000
Impact Fee Deferral (City)	762,500
Tax Increment Loan (City)	1,250,000
HOME Loan (City)	1,600,000
<b>Total Permanent Funding</b>	<b>\$28,231,430</b>

At its meeting on December 10, 2019, the City Council approved an Option and Predevelopment Agreement that granted OHDC and C&C the option to purchase the property at any time during an

18-month period from the effective date, provided that certain conditions are met. This period was necessary to conduct environmental review, secure financing, and negotiate a development agreement which includes terms and conditions for sale of the property. The proposed Affordable Housing Disposition, Development, and Loan Agreement (Agreement) is the result of those negotiations, and contains the following provisions:

- The City agrees to sell to the Developers for \$4.03 million, land encompassing approximately 2.81 acres of the Corporation Yard, located at 637 W Struck Avenue.
  - For value received, the Developers agree to pay \$1.03 million cash up front and fund the remaining \$3.0 million purchase price as a loan carried by the City.
  - The sale price is at market rate and confirmed by a certified appraisal.
- The City agrees to provide a \$1.25 million loan from the Low and Moderate Income Housing Asset (LMIHA) fund towards a portion of the project's construction costs. The LMIHA is former redevelopment funds that were set aside to develop affordable housing. The current fund balance is approximately \$2.0 million.
- The City agrees to provide a Development Loan of \$762,000 to allow for the deferral of the City's share of development impact fees for the project. Development impact fees include fees for library, park, police, and fire facilities.
- All loans are residual receipts loans with a 55-year term and a 0.25% interest rate. The speed of repayment will depend partly on the ability of the Developers to secure other sources of financing. The City may not start receiving material loan payments until sometime beyond the completion of the project; however, interest costs will be accrued.
- The developer agrees to maintain the 61 units affordable for the 55-year period.

As part of this project, cash proceeds from the land sale will be available for improvements to the Corporation Yard to adjust its operations to continue to meet City needs after the loss of the two acres. The Developers will also make efforts to minimize construction impacts to Mary's Kitchen, which is adjacent to the proposed site. That said, there is a separate effort to make operational changes as well as infrastructure improvements to Mary's Kitchen.

### **Recommendation**

Staff recommends the City Council approve the proposed agreement to provide the land and assist the financing of the proposed affordable housing project.

## **7. ATTACHMENTS**

- Affordable Housing Disposition, Development, and Loan Agreement among the City of Orange, C&C Development Co., LLC, and Orange Housing Development Corporation
- Project Pro Forma
- Land Appraisal